

**EXPANDING ASSET-BUILDING**  
*opportunities through*  
**SHARED OWNERSHIP**

FRAMING PAPER

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Asset Building Strategies is a consulting firm that advances policies and strategies to support low-wealth families to build financial assets. Services include national research, technical assistance to state and local asset-building initiatives and strategic consulting to nonprofits, foundations, public agencies, elected officials and intermediary organizations. Asset Building Strategies was founded by Heather McCulloch in 2002. Ms. McCulloch has over 15 years experience working in the community development and asset-building fields.

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information, visit the Foundation's website at [www.aecf.org](http://www.aecf.org).

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# OVERVIEW

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## Introduction

The asset-building movement has grown in recent years to encompass a wide range of strategies to support low-income, working families as they move from poverty to long-term financial security. The movement is based on the premise that low-income families—like middle- and upper-income families—need access to a full range of opportunities to improve their financial circumstances including access to mechanisms to save, invest and preserve financial assets. While middle- and upper-income families have access to asset-building opportunities through market-based products and tax incentives, these same opportunities are often inaccessible to lower-income families. The asset-building movement seeks to ensure that asset-building opportunities are available to *all* families.

The movement has taken hold and grown through a primary focus on asset-accumulation strategies, including financial education, products and services tailored to low-income families; and matched savings accounts, such as Individual Development Accounts (IDAs), that provide matching funds from the public sector and/or foundations. However, practitioners and advocates have made less progress on expanding the range of affordable investment opportunities that help families to leverage savings into appreciating assets.

To date, the asset-building field has focused primarily on two pathways to leveraging savings into equity-building investment for low-income families: homeownership and microenterprise development.<sup>1</sup> While connecting families to these opportunities has helped some families, a decade of rapidly appreciating home values left a limited supply of affordable homeownership opportunities in most markets. In the arena of business development, microenterprise and microloan programs have supported some entrepreneurial individuals to begin to build business equity, but most low-wealth entrepreneurs are challenged by the high cost of entry and expansion (capital, skills, connections) in many markets.

The asset-building movement has long focused on individual ownership, whereby all risks and rewards of investment accrue to one household. The authors of this paper propose an exploration of shared-ownership strategies as a way to expand the menu of investment options for low-income/low-wealth families. Shared-ownership strategies—described in the glossary and in the body of the paper—provide a variety of mechanisms for low-income households to access home, business or even commercial real estate equity investment opportunities that allow them to share both risks and rewards with other stakeholders—their neighbors, community-based nonprofits, local government, the private sector or other individual investors.

## Purpose of paper

This paper is designed to frame a discussion that will begin to explore whether and how shared-ownership strategies can serve as a means of increasing investment opportunities that

are affordable and accessible to low-income families and how asset-building and shared-ownership advocates might work together toward common goals.

Shared ownership is not a singular field—it includes a range of strategies with different goals and outcomes. The shared-ownership strategies covered in this paper include cooperative housing, community land trusts, deed-restricted and shared appreciation mortgages, resident ownership of manufactured home parks, worker-owned cooperatives, employee stock ownership plans and other employee wealth-sharing strategies, and shared ownership of commercial real estate and natural resources (please see glossary for definitions). These strategies are valuable for many and diverse reasons. For example, they may:

- Enable families to access investment markets for which they would otherwise be ineligible (due to poor credit, lack of capital, limited skills, etc.);
- Provide ways for investors to leverage their knowledge and expertise with those of other investors/owners;
- Decrease a household's exposure to risk because risk is shared among multiple owners;
- Provide a means of balancing individual and community goals;
- Offer opportunities for greater voice and participation by workers and/or community residents;
- Enable communities to control local assets; and
- Provide a forum for education and democratic institution-building.

This paper focuses on those outcomes related to building the wealth and financial security of low-income individuals and households.<sup>2</sup>

With this framing paper, the authors aim to catalyze a new national conversation that explores the potential for building synergy and strategic relationships between leaders of asset-building and shared-ownership strategies. The paper will be used to:

- Frame workshops for asset-building practitioners at the Assets Learning Conference in September 2008;
- Frame a dialogue among national shared-ownership and asset-building leaders, hosted by the Annie E. Casey Foundation in late 2008; and
- Encourage similar discussions at the national, state and local levels.

The project aims to build support—from practice and policy perspectives—for exploration of an expanded menu of opportunities for low-income households to invest in themselves and their communities.

## Methodology, audience and organization

The information presented in the paper is based on a literature review and interviews with 25 shared-ownership and asset-building practitioners and intermediaries across the country. Interviewees were asked to share their knowledge and perspectives on: the wealth-building value of different shared-ownership strategies; relevant research that documents wealth-building effects of shared ownership for low-income households; collaboration between practitioners and advocates of asset-building and shared-ownership strategies; potential areas of collaboration or coordination; and other national, state or local leaders who would be interested in the discussion. (The list of interviewees and the interview protocol may be found in Appendix A and Appendix B, respectively.)

The primary audiences for this paper include: asset-building and shared-ownership practitioners and advocates, foundation staff, elected officials, public agency staff and academics interested in further pursuing the conversation as an area of inquiry in their respective fields.

Research and interviews provided background information on the range of shared-ownership opportunities described in the glossary and in Section Two of the paper, informed ideas about emerging opportunities and challenges to “cross-fertilization” of asset-building and shared-ownership strategies in Section Three and highlighted areas of support necessary to advance collaborative efforts, described in Section Four.

## Terminology

The paper uses the following definitions of individual, shared and community ownership. These definitions have been developed by the authors and may differ from those used by practitioners or intermediaries.

**Individual ownership:** Individual ownership is commonly used to describe the ownership of an appreciating asset by an individual or family. All asset yields—through appreciation or returns—accrue solely to the individual/family. In addition, the individual/family owner assumes all risks associated with ownership of the asset (e.g., loss of equity due to market fluctuations, liability, etc.).

**Shared ownership:** Individuals purchase a portion of an asset, sharing the remainder with other investors—individuals, foundations, nonprofit, public or private sector institutions. Typically, the cost to an individual investor and the level of risk to which he/she is exposed is lower than if the investor were to purchase the asset alone. Similarly, the investor receives only a portion of the appreciation or return on the asset.

**Community ownership:** Instead of assigning ownership rights to individuals a “community-owned asset” is held by an entity (nonprofit or public) for one or more social purposes that benefit a larger community of stakeholders. Often the asset is held for the long term or in

perpetuity, and the social purpose is explicit: such as long-term affordability or preservation of land or natural resource, etc.

Several of the strategies and examples explored in the paper produce a mix of individual, shared and community ownership outcomes. For example, a community land trust enables individuals and households to gain an ownership stake in a home, but the land on which the home is built is typically held by a nonprofit, which owns the land as a form of community ownership (held in perpetuity for an explicit social purpose of preserving affordability).

## BACKGROUND/FRAMING *of* DISCUSSION

### History and evolution of asset-building movement

Since the early 1990s, a national dialogue about the importance of financial assets—cash savings, stocks, bonds, home, business and real estate equity—in building families’ long-term financial security has spurred new thinking about anti-poverty work in America. Today, practitioners, intermediaries, funders and advocates no longer look at solutions to poverty only in terms of income supports and social services. They recognize that while these strategies help to stabilize families, a job alone will not necessarily move a family from poverty to prosperity. Instead, low-income families, like middle- and upper-income families, need access to a full continuum of savings and investment opportunities, appropriate financial services and tax incentives, in order to build a secure economic future for themselves and future generations.

What is now known as the “asset-building” movement began with a focus on one strategy: individual development accounts or IDAs, matched savings accounts that enable low-income individuals to save for a home, business or higher education. In the 1990s, IDAs were tested through a national demonstration project, the American Dream Demonstration, that showed that low-income families can and will save if given appropriate incentives.<sup>3</sup> This finding catalyzed exploration of a growing menu of strategies to help families to save and invest—in themselves and their communities.

Assets cushion a family from income disruptions (e.g., illness or accident, layoff) and unexpected, unavoidable expenses (e.g., car repair, medical bill). Dating back at least to the Homestead Act, the

U.S. government has enacted policies that help families build wealth; current policies include tax preferences for homeownership and retirement savings and funding for small business loan guarantees. An analysis of federal resources devoted to helping individuals build and retain assets estimates, conservatively, that \$367 billion primarily benefits the wealthy: over one-third of the benefits go to the richest 1 percent of American households, while the bottom 60 percent receive less than 3 percent.<sup>4</sup> In other words, families who already have the most wealth are getting the biggest boost from government incentives, thereby exacerbating wealth disparity in the United States.

At the same time, more than one in five Americans (22 percent) is asset poor. An asset poor individual lacks sufficient net worth to subsist at the federal poverty level for three months if her income were cut off.<sup>5</sup> Roughly one in six Americans owes more than they own: 15.5 percent of Americans have zero or *negative* net worth.<sup>6</sup> These percentages only get higher when you look at subsets of the population such as women (38 percent are asset poor; 18.8 percent have zero or negative net worth) and minorities (43 percent of Blacks, 39 percent of Latinos, and 35 percent of Native Americans are asset poor; 44 percent have zero or negative net worth).<sup>7</sup> For every one dollar of net worth held by white households, households headed by minorities have just 13 cents.<sup>8</sup>

Today, interest in asset-building strategies continues to grow, fuelled by increasing public awareness of the large and growing wealth gap and the cross-generational effects of asset poverty; concerns about the negative rate of national savings and low levels of financial literacy; and the documented success of several asset-building strategies. The asset-building movement is now advancing a broad array of strategies that helps families access financial services, save, invest and preserve financial assets. A range of stakeholders is championing and/or advancing asset-building strategies including federal, state and local legislators; financial institutions and their regulators; community organizers and policy advocates; national, state and local foundations; business leaders and private individuals, among others. These national and local leaders are exploring ways to increase the number and quality of asset-building opportunities and supporting strategies that enable families to move up the economic ladder over time.

While the asset-building field has been successful at increasing financial services and savings opportunities for low-income families, it has been less successful at expanding access to affordable investment opportunities. Homeownership has long been viewed as the most promising pathway to building wealth for American families, so much so that it is the cornerstone of the “American Dream.” However, as housing markets appreciated, it became increasingly difficult for low-income households in many markets to transition from accumulating savings to leveraging those savings into home equity, without taking on unacceptable levels of risk. The ongoing collapse of housing values and rising foreclosures suggest that home equity is not the highest yielding or least risky asset. In other areas of potential investment opportunity—small business and commercial real estate—options for low-income investors remain limited.<sup>9</sup>

As the asset-building movement matures, some practitioners and advocates are exploring new opportunities to expand the menu of affordable investment opportunities that are accessible to



low-income and low-wealth families. This paper proposes the exploration of various shared-ownership strategies as a means of enabling low-income families to invest in equity-building assets. Shared-ownership strategies lower barriers to investment by reducing risk and/or the amount of capital, expertise and other resources that individuals and families need to invest. For example, in communities across the country, worker-owned cooperative businesses are enabling workers with little capital and entrepreneurial savvy to develop and grow business enterprises in cooperation with other worker-owners; employee stock ownership plans (ESOPs) are enabling even low-skilled, low-wage workers to gain an equity stake in the companies where they work; and limited equity cooperative housing is providing families with access to affordable housing and some asset-building opportunities while preserving the long-term affordability of the homeownership units. While many of the strategies explored in this paper do not necessarily *target* low-income workers or residents, they offer promising models that are or could be accessible to lower-income/lower-wealth households.

## Shared ownership—history and evolution of strategies

While individual ownership of private property has long been viewed as a pillar of the American economy, shared-ownership strategies are under-reported. Shared-ownership strategies in the United States, are many and varied. They do not comprise a single or unified movement; instead, each has a unique history and infrastructure of support including funding, technical assistance and public policies.

The shared-ownership strategies covered in this paper include cooperative housing, community land trusts, deed-restricted and shared appreciation mortgages, resident ownership of manufactured home parks, worker-owned cooperatives, employee stock ownership plans and other employee wealth-sharing strategies, and shared ownership of commercial real estate and natural resources (see glossary for definitions). Each of these strategies has a unique history in the U.S., some dating back to the late 1800s, others to more recent decades. For example, the nation's first housing cooperatives were developed in the early 1900s, inspired by the growing cooperative movement in Europe and supported by labor and immigrant groups. While housing coops grew in popularity, activists and labor unions were not successful in advocating for their inclusion in the U.S. Housing Act of 1937, partly because of the association between collective ownership and socialism. Nonetheless, supported by some government and private investment, concentrations of cooperative housing developments can be found in several large cities today including New York City; Washington, D.C.; Chicago; Miami; Minneapolis; Detroit; Atlanta; and San Francisco.<sup>10</sup>

Community Land Trusts (CLTs), another form of shared ownership whereby homes are owned by individuals and families on land that is owned by a community-based entity, also have their own history and constituency. The CLT model was developed over 30 years ago in response to rising land values and the dearth of affordable homeownership opportunities.<sup>11</sup> Today, the national CLT movement includes approximately 200 CLTs—either operating or under development—in urban and rural communities across the country.<sup>12</sup>

Strategies that support workers to gain an ownership stake in the businesses where they work have played a role in the U.S. economy for over a century. For example, worker-owned cooperatives have their roots in the late 19th century, when they were promoted by the Knights of Labor, one of the most important labor organizations of its time.<sup>13</sup> Worker-owned cooperatives are businesses that are owned by workers where each worker has the right to vote in the election of the board of directors, to share in the profits or net income of the company and to participate, through different structures, in the management of the company. Today, over 300 of these democratic workplaces in the United States employ over 3,500 people and generate over \$400 million in annual revenues.<sup>14</sup>

In the past three decades, several additional strategies have enabled employees to obtain an equity stake in the companies where they work including employee wealth-sharing strategies and employee stock ownership plans (ESOPs), which gained traction in 1974 when Congress included provisions to support them as part of comprehensive pension reform.<sup>15</sup> According to the National Center for Employee Ownership, as of early 2008, there were 9,774 ESOPs, stock bonus plans and profit-sharing plans primarily invested in employer stock in the United States, covering 11.2 million participants and valued at more than \$928 billion in assets.<sup>16</sup> Broadly granted stock options, employee stock participation plans, and new employee wealth-sharing strategies that target lower-income workers are other important employee-ownership strategies.<sup>17</sup>

Shared ownership of commercial real estate is another area of potential asset-building opportunity under development or exploration in several communities. The nation's most prominent example is Market Creek Plaza, a ten-acre cultural and commercial development in southeastern San Diego. In 2007, after years of planning and an extensive state approval process, local residents were offered an opportunity to purchase an equity stake in the development through a new mechanism called a Community Development Initial Public Offering (CD/IPO). Market Creek Plaza is now partially owned by 450 local residents who are part of a special class of investors, Diamond Community Investors.<sup>18</sup> They co-own the development with foundations, financial institutions, and a resident-led foundation, the Neighborhood Unity Fund.<sup>19</sup>

Natural resources are common goods, representing common assets and a potential source of dividends from shared ownership. One example of how natural resources have been used to support residents to build financial assets is the Alaska Permanent Fund. The Fund was established through an amendment to the Alaska constitution in 1976, upon completion of the Alaska pipeline. According to the amendment, at least 25 percent of all mineral lease rentals, royalties, royalty sales proceeds, federal mineral revenue-sharing payments and bonuses received by the state will be placed in a permanent fund, the principal of which may only be used for income-producing investments. Income from the investments produces dividends to qualified Alaska residents, thereby providing a perpetual source of capital for Alaska residents.<sup>20</sup> The Alaska Fund has produced exceptional dividends—and therefore, asset-building opportunities—for residents of the State of Alaska.<sup>21</sup>

Year	Dividend per Alaskan Resident
2003	\$1,107.56
2004	\$919.84
2005	\$845.76
2006	\$1,106.96
2007	\$1,654.00

In *Capitalism 3.0*, Peter Barnes proposes a market-based entity that protects common assets, like clean air, through rents charged on limited access. Widely shared dividends would be dispersed from the rents.<sup>22</sup> Examples of sharing returns from natural resources can also be found in other countries.<sup>23</sup>

## Evidence of the wealth-building effects of shared-ownership strategies

Research on the wealth-building effects of shared-ownership strategies is limited, particularly as it relates to low-wage, low-wealth investor/owners. However, existing research points to the wealth-building potential of several shared-ownership strategies. For example, according to a study of the Burlington Community Land Trust (BCLT):

Averaged across all 97 resales, BCLT homeowners were able to recoup their original down-payments of \$2,000 and to pocket additional proceeds of \$6,184 after paying off the balance of their mortgages. On an annualized basis, where the average BCLT resale occurred after 5.3 years of owner-occupancy, this represented a net gain in equity of 30 percent. Counting only those proceeds derived from appreciation, the rate of return on the homeowners' initial investment was 17 percent.<sup>24</sup>

While not typically targeted to low-wage workers, ESOP research indicates a strong wealth-building potential. According to the Democracy Collaborative:

The wealth-building importance of ESOPs is dramatic: The assets owned by employees in ESOPs are worth an estimated \$600 billion—about \$60,000 per employee-owner. In comparison, the most recently available CFED survey found that in 2003, the number of participants in IDA programs totaled roughly 50,000, and the amount of money leveraged in purchases supported by IDA matches had reached a relatively modest \$168 million.<sup>25</sup>

A study of resident-owned communities (ROCs)—manufactured home parks where the homes are owned by individual residents and the land is owned by a cooperative—indicated strong asset-building outcomes for homeowners:

In addition to the greater likelihood of having a fixed interest mortgage loan . . . residents of investor-owned communities are more likely to have either paid off their loans or to have bought their homes outright without any loan in the first place . . . Comparing basic home prices, homes in ROCs have a higher average sale price than homes in investor-owned communities . . .<sup>26</sup>

### **Intersection between the asset-building and shared-ownership movements**

To date, there has been only limited communication and collaboration between national asset-building advocates and the leaders of the various shared-ownership strategies.<sup>27</sup> The reasons for this apparent disconnect are many, including the fact that national asset-building leaders have been focused on building support for financial education, access to financial services and savings strategies (e.g., IDAs, children's savings accounts and other policies and practices). Furthermore, while many national advocates and practitioners of shared-ownership strategies acknowledge wealth building as an outcome of their respective strategies, it is often one of many priorities.<sup>28</sup>

Whatever the cause, the lack of communication and collaboration between leaders and advocates of asset-building and shared-ownership strategies has almost certainly meant lost opportunities for low-income families who face limited choices when they seek affordable investment options in their communities. Interviews with practitioners, intermediaries and advocates indicate interest in exploring ways to bridge the gap between the various movements—to explore new relationships, collaborations and/or strategic partnerships among advocates and supporters of individual and shared-ownership strategies.

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## Challenges

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At the same time, some shared-ownership advocates view individual wealth-building strategies with suspicion, as a prioritization of individual over shared benefits. Other shared-ownership advocates believe that a focus on individual wealth gained from shared ownership will dilute or undermine a commitment to common social goals, such as long-term affordability.

Finally, a very real challenge to expanding the use of shared-ownership strategies is that the infrastructure to support these strategies is currently limited. For example, there is currently a dearth of technical assistance resources to support the development of worker-owned cooperatives, and much of the technical assistance that is underway is being provided on an ad-hoc basis.

While not discounting the validity of these concerns, it is the perspective of the authors that the apparent challenges should not impede further exploration of the synergies between individual and shared-ownership strategies. We believe that shared ownership expands—not constrains—opportunities for individuals to build wealth and that individual wealth-building strategies can complement, or strengthen, shared-ownership outcomes.

Several of the shared-ownership strategies explored in the paper offer promising asset-building opportunities for low-income families. For example:

- In the wake of the foreclosure crisis, single-family homeownership is no longer seen as the most promising investment opportunity for low-income families. Shared-ownership or “shared-equity” homeownership strategies (community land trusts, limited equity cooperatives, deed restricted housing) are gaining attention as promising alternatives, because they provide opportunities for individual homeowners to build wealth—at a lower level of risk—while preserving public subsidies and long-term affordability. In addition, some communities are exploring the aggregation of foreclosed properties into community land trusts to expand the supply of affordable housing.<sup>30</sup>
- The various employee ownership strategies (worker-owned cooperatives, ESOPs, employee wealth-sharing and other strategies) have been successful in many parts of the country in producing livable wage jobs with good benefits and asset-building opportunities for worker-owners. As the movements grow, they are expanding the infrastructure of support (through new development funds, peer technical assistance, public policy, etc.) and looking for new partners and funders. Given the interest in growth, expansion and public education about these strategies, it is a good time to connect shared-ownership practitioners and leaders to asset-building advocates to figure out ways to combine forces.
- As “baby boomers” retire, a large number of privately held businesses could use ESOPs as their succession vehicles, thereby creating business ownership opportunities for workers. Tax benefits make ESOPs a promising strategy for converting closely held companies into worker-owned firms: the seller can defer taxes on the capital gain of the sale if the ESOP holds at least 35 percent of company stock. National intermediaries, community-based organization or state programs could do outreach and education on ESOPs as a succession strategy for retiring business owners.
- Agricultural co-ops are a promising asset-building strategy for rural communities. While the majority of agriculture co-ops serve large land owners, some—such as the Federation of Southern Cooperatives Land Assistance Fund—allow farmers with small land holdings to pool their land, production, marketing and sales. Especially for African Americans whose land losses have increased as younger generations have left the agricultural sector and property owners have not planned for succession (through wills or other instruments), co-ops allow small landholders to retain their properties and protect them from further division and sale.
- Comprehensive asset-building coalitions—partnerships of nonprofit, public and private sector stakeholders working to connect low-income families to a full range of asset-building opportunities at the neighborhood, city, county and state levels—are often interested in shared ownership as an area of affordable investment opportunity worthy of exploration.

But they typically lack the resources—connections to technical assistance providers, interested funders and/or examples of promising practices—to explore these strategies. As these coalitions grow and evolve, they could benefit from connections to shared-ownership leaders, funders and technical assistance providers at the local, state and national levels.

- Beneficiaries of shared-ownership strategies (cooperative worker-owners, homeowners in limited equity housing cooperatives and community land trusts, etc.) could benefit from being connected to other asset-building opportunities (financial education/coaching, IDAs, volunteer tax assistance and EITC refunds, microenterprise training, etc.). Building bridges between the movements at the local, state and national levels would help to expand wealth-building opportunities available to them.

## Policy Opportunities

Asset-building and shared-ownership advocates are advancing separate public policy agendas at the local, state and national levels. Developing a common/coordinated approach could result in the following opportunities:

- Lead organizations within both movements have built strong credibility among different groups of legislators, the media, etc. Exploring/developing mutually beneficial policy agendas could help to leverage these resources to achieve shared goals.
- Developing a common wealth-building agenda would expand the base of support for mutually beneficial policies and increase their likelihood of success.
- Collaboration could help to increase public funding for both shared and individual ownership strategies, targeted to low-income families.

# AREAS *of* POTENTIAL EXPLORATION

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Exploring synergy between the movements involves support in a number of key areas, including research, convenings, technical assistance and training, and public education. Each of these areas of activity is explored below.

## Research

Interviewees noted the need for research to document the asset-building effects of shared-ownership strategies.<sup>31</sup> This research would help to guide practitioners and funders in making decisions about the relative value of different strategies, and it would help advocates to make the argument for supportive public policy. (For a list of research questions that emerged from the interviews, please see Appendix C.)

## Convenings

Convenings among individual and shared-ownership practitioners—at the national, state and local levels—would help to increase understanding of the full menu of shared-ownership and asset-building strategies among funders, community development practitioners and advocates, elected officials, public agency staff, financial institutions, etc. Ongoing national discussions about ways to build a common wealth-building movement and state and local meetings to explore ways to connect strategies, from practice and policy perspectives are important next steps. In addition, attention to shared ownership at local, state and national asset-building conferences would provide valuable input on whether and how these strategies pertain to local communities. Including asset-building strategies at local, state and national meetings of shared-ownership strategies would help to expand understanding of the rationale for a focus on wealth-building among low-income individuals and the range of strategy options.

## Technical assistance and training

Creating the infrastructure to provide technical assistance on shared-ownership strategies and making it widely available would help local leaders to explore these strategies as part of a broader menu of asset-building opportunities. Some of these resources exist—for example, NCB Capital Impact provides technical assistance and training on cooperative housing development, the ICA Group advises local groups on cooperative business development and the National Center for Employee Ownership offers a range of trainings related to ESOPs—but local asset-building and community development leaders are often unaware of these resources.



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This paper, the sessions at the September 2008 Assets Learning Conference and the Casey convening to be held in late 2008 are all designed to raise awareness of the ways in which individual and shared-ownership movements are aligned and offer great potential for increasing the opportunities for low-income families to acquire appreciating assets and build wealth. By talking with leading thinkers, practitioners, funders in the individual asset and the shared-ownership fields, the authors aim to showcase the synergy between these fields and their missions and to jumpstart conversations that will lead to collaborative efforts to integrate and leverage resources, public education, products, programs and policies with the ultimate goal of increasing the menu of opportunity for low-income families across the country.

# LIST of INTERVIEWEES\*

appendix a appendix a appendix a appendix a appendix a appendix a appendix a appendix a appendix a appendix a

Liz Bailey, *Cooperative Development Foundation*  
Paul Bradley, *ROC USA*  
Paul Brophy, *Brophy and Reilly LLC*  
John Emmeus Davis, *Burlington Community Associates*  
Bob Friedman, *CFED and the Friedman Family Foundation*  
Glen Gilbert, *National CLT Network*  
Jim Gray, *NCB Capital Impact*  
Paul Hazen, *National Cooperative Business Association*  
Melissa Hoover, *U.S. Federation of Worker Cooperatives*  
Ted Howard, *Democracy Collaborative*  
Tim Huet, *Arizmendi Support Collaborative*  
Heidi Krauel, *Pacific Community Ventures*  
Newell Lessell, *ICA Group and LEAF Fund*  
Jeffrey Lubell, *Center for Housing Policy*  
Rick Jacobus, *Consultant and Burlington Associates*  
George McCarthy, *Ford Foundation*  
Cynthia Muller, *NCB Capital Impact*  
Jessica Gordon Nembhard, *Democracy Collaborative*  
Ralph Paige, *Federation of Southern Cooperatives*  
Corey Rosen, *National Center for Employee Ownership (NCEO)*  
Cheryl Sessions, *ROC USA*  
Chuck Shannon, *Mile High United Way*  
Michael Shaw, *The Annie E. Casey Foundation*  
Jennifer Vanica, *Jacobs Center for Neighborhood Innovation and the Jacobs Family Foundation*  
Bob Zdenek, *National Housing Institute*

\*Interviewee affiliations are as of time of interviews in March and April 2008.

# INTERVIEW PROTOCOL

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1. Please tell me about your role/your organization's role in advancing/supporting \_\_\_\_\_ [relevant strategy].
2. Does the strategy help to build wealth for low-income participants?
3. Is wealth-building a priority for stakeholders advancing the strategy?
4. What are other priorities?
5. Do you know of any research that documents the wealth-building effects of the strategy?
6. Have you/your organization worked with asset-building practitioners or advocates at the local or national level?
7. Are you or colleagues working in this arena advancing supportive public policies at the local, state or national levels?
8. Would you be interested in attending the AECF convening focused on shared-ownership strategies and asset-building?
9. Are there other people you think we should consider interviewing and/or inviting to the meeting?

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## RESEARCH QUESTIONS

appendix c appendix c appendix c appendix c appendix c appendix c appendix c appendix c appendix c appendix c

Interviewees raised the following questions for further research. In some cases, as noted, specific organizations or resources were identified as suitable for conducting the research.

1. ***Economic impact of cooperatives***—The University of Wisconsin has been awarded a two-year federal grant from the U.S. Department of Agriculture (USDA) to study the economic impact of cooperatives nationwide. Federal funds are matched by the National Cooperative Business Association (NCBA). A second year of resources could include exploration of the wealth-building impacts of cooperatives.<sup>32</sup>

2. **Individual wealth building from ESOPs**—With funding, the ICA Group could use existing data (Form 5500, which provides the value of ESOPs and the number of participants, by company) to make the policy case for wealth building by low-income workers. ICA would need to disaggregate the data by income.
3. **Relationship between companies that offer the greatest career advancement and those that provide the greatest wealth-building opportunities**—Is there a trade-off between higher wages and wealth-building opportunities?
4. **National study of the wealth-building impact of CLT resales**—A local study of CLTs (the Burlington CLT resale study) has indicated that the wealth-building effects of CLT resales. A national study is needed.
5. **Identify and measure the indirect effects of living in a CLT**—For example, are kids who grow up in CLT housing more likely to complete post-secondary education (because their housing is stable, parents are able to take greater risks in their job choices and reap higher rewards with the effect that more is saved for next generation's education)?
6. **Measure the “tipping point” in dollar terms of wealth**—How much wealth is needed to affect mobility and material well-being (this information is needed for both the individual asset-building and shared-ownership fields)? For shared equity housing, additional research questions include: Can “wealth” be isolated from other positive effects derived from stable housing (use of bank account, regular savings, financial skills, homeownership skills, stable relationships)?
7. **Positive effects of stable housing**—Once housing is stabilized (either through ownership or renting), do people save more? Do they build wealth? How do families capture increased savings, tax savings and educational attainment due to stable housing?
8. **Risks of market rate homeownership**—How do you backstop the loss/risk for low-income people?
9. **Homeownership patterns after foreclosure**—What happens to people who return to renting after being foreclosed on?
10. **What is the scope and capacity of shared-ownership support organizations to implement these strategies at a larger scale?** What types of additional resources are necessary—technical assistance, funding, etc.—to support the development of shared ownership strategies in local communities, especially where low-income families and low-wage workers are the targeted beneficiaries?

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The following glossary includes a select list of descriptions of individual and shared-ownership strategies, drawn directly from the sources indicated. The list is not exhaustive but includes those strategies that are covered in the paper. For more on individual asset terms, programs, and strategies, see [www.assetpolicy.org/asc\\_glossary.vp.html](http://www.assetpolicy.org/asc_glossary.vp.html) or [www.cfed.org/focus.m?parentid=2&siteid=374&id=687](http://www.cfed.org/focus.m?parentid=2&siteid=374&id=687). For more information on shared-ownership terms, programs, and strategies, see the sources listed under individual strategies.

## Individual asset-building strategies

### ACCESS TO MAINSTREAM FINANCIAL SERVICES

#### ***Campaigns to bank the unbanked***

Campaigns to bank the unbanked are coordinated efforts led by the public, private and/or nonprofit sectors that aim to support families to access lower-cost products and services offered by mainstream financial institutions and/or community development financial institutions (CDFIs), such as low-cost checking and savings accounts, remittance products and other services. *(Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc))*

#### ***Community Development Credit Unions***

Credit unions are financial institutions that are cooperatively owned and controlled by their members. According to the National Federation of Community Development Credit Unions (NFCDCU), “A community development credit union (CDCU) is a credit union with a specialized mission of serving low- and moderate-income people and communities.” CDCUs play a critical role in providing access to credit and financial services in low-income neighborhoods across the country. *(For more information, see [www.natfed.org](http://www.natfed.org).)*

#### ***Development of alternative financial products***

In recent years, practitioners and advocates in the asset-building field have been developing an array of financial products to enable unbanked and underbanked households to access mainstream financial products including: low- or no cost checking accounts, second-chance checking accounts, prepaid debit cards, stored value cards, alternative remittance products and alternatives to payday lending, check cashing and refund anticipation loans. *(For more information on different products, see the Center for Financial Services Innovation website: [www.cfsinnovation.com](http://www.cfsinnovation.com).)*

## SAVINGS OPPORTUNITIES

### **Children's savings accounts**

Children's savings accounts (CSAs) are accounts for children and youth to save, with savings matched by the government, private institutions, family members and/or other contributors. The accounts can typically be used for post-secondary education, to purchase a home or to build a nest-egg for retirement, once the child reaches a certain age (typically 18). A national demonstration is underway to test various types of CSAs and supportive national, state and city policies. (Source: *Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information on the national CSA demonstration, see SEED Initiative at [www.cfed.org](http://www.cfed.org).*)

### **Family Self-Sufficiency program**

The Family Self-Sufficiency (FSS) program of the U.S. Department of Housing and Urban Development (HUD)—offered by local public housing authorities (PHAs)—gives public housing residents and Section 8 voucher holders an opportunity to accumulate financial assets. Typically, families pay 30 percent of adjusted income for rent and utilities. As their incomes increase, families' rent expenditures rise as well. The FSS program allows all or a portion of this increased rent payment to be deposited into an escrow account. Upon graduation from the program, FSS program participants are free to withdraw the funds, tax free, and use them without restrictions. (Source: *Bay Area Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc)*)

### **Individual Development Accounts**

Individual Development Accounts (IDAs) are matched savings accounts that enable low-income households to save, build assets and enter the financial mainstream. IDAs reward the monthly savings of working-poor families who are building toward purchasing an asset—most commonly buying their first home, paying for post-secondary education or starting a small business. The match incentive—similar to an employer match for 401(k) contributions—is provided through a variety of government and private sector sources. Organizations that operate IDA programs often couple the match incentive with financial education, training to purchase their asset and case management. (Source: *CFED, [www.cfed.org](http://www.cfed.org)*)

### **Lifelong Learning Accounts**

Lifelong Learning Accounts (LiLAs) are a type of matched savings account that enables lower-wage workers to save for education and training so that they can improve their skills and, hence, their earning potential. LiLAs respond to the fact that few employers provide education and training opportunities for frontline workers, with the vast majority of training dollars going to managerial, professional and technical employees. The Council for Adult and

Experiential Learning (CAEL), has been piloting the LiLA model in recent years through a national demonstration that includes three locations and four industry sectors. As with IDA accounts, individuals save in their LiLA accounts. In the demonstration, LiLA contributions are matched by employers and the project. LiLA savings typically can be used for career-related education and training such as tuition/fees, books, computers, software, supplies and materials. *(Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information on LiLAs, see [www.cael.org/lilas.htm](http://www.cael.org/lilas.htm).)*

### **Savings bonds**

U.S. savings bonds are low-risk investment vehicles with reasonable rates of return. The New Savers Act, introduced in August 2007 by Senators Hillary Clinton (D-NY) and Gordon Smith (R-OR) would include the development of a savings bonds purchase program to support tax filers to deposit tax refunds directly into savings bonds, beginning in the 2008 tax year. *(For more information, see [www.newamerica.net/publications/resources/2007/new\\_savers\\_act](http://www.newamerica.net/publications/resources/2007/new_savers_act).)*

### **Savings for higher education**

Higher education is a critical path to long-term financial security, but it is often out of reach for low- and moderate-income individuals. Expanding opportunities for individuals to save for post-secondary education and for families to save for their children's education is a critical area of asset-building activity. Strategies to incentivize education savings through matched savings programs include: individual development accounts, children's savings accounts, matched savings in 529 accounts (tax-advantaged investment vehicles in the United States designed to encourage saving for the future higher education expenses of a designated beneficiary) and other strategies.

### **Tax assistance and Earned Income Tax Credit campaigns**

Local tax assistance campaigns are often supported by the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) program that provides free training to volunteers who provide free or low-cost tax preparation services in communities across the country. The Earned Income Tax Credit (EITC) is a powerful tool for asset-building and community development. Enacted by Congress in 1975 and expanded in the 1980s and early 1990s, it is often cited as one of the nation's most successful anti-poverty tools because it has put billions of dollars annually into the hands of low-income working families. Local, state and national campaigns have been devoted to increasing families' awareness of their eligibility to receive EITC and other tax refunds, linking them to low- or no-cost tax preparation services and helping them to claim their tax refunds. Additionally, many states have enacted their own EITCs to supplement further the incomes of working families. *(Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc).)*

## HOMEOWNERSHIP

### ***Employer-assisted housing***

Employer-assisted housing can take many forms—from homeownership counseling and financial assistance to investment in the development of new affordable homeownership opportunities. Typically, programs include forgivable, deferred or repayable second loans; grants; matched savings plans; or homebuyer education that helps the employee achieve homeownership. (Source: *Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc)*).

### ***First-time homebuyer assistance***

In recent years, a wide variety of public, private and nonprofit sector programs have been developed to support low- and moderate-income families to invest in homeownership for the first time including pre-and post-homeownership counseling, downpayment and closing cost assistance, low-cost mortgage loan products and other strategies.

### ***Homebuyer education and counseling***

See entry under “Financial Education and Coaching” on page 24.

### ***Housing Choice Voucher Homeownership (also known as Section 8 Homeownership) program***

HUD’s Housing Choice Voucher Homeownership program, more commonly known as the Section 8 Homeownership program, offers Public Housing Authorities (PHAs) the option of allowing Section 8 voucher holders to use the program’s public subsidy to pay a mortgage instead of rent. The program was piloted by HUD in the late 1990s and implemented nationwide in 2001. Section 8 voucher holders pay 30 percent of their income toward their monthly housing costs, and HUD pays the remainder. In the homeownership program, the resources go to a mortgage instead of rent. PHA programs must follow HUD’s final rule on the program, but each is structured differently. Since PHAs do not receive additional funds to administer the program, successful programs are typically supported by local and national funding sources. (Source: *Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information, see the HUD website at: [www.hud.gov/offices/pihl/programs/hcv/homeownership/index.cfm](http://www.hud.gov/offices/pihl/programs/hcv/homeownership/index.cfm)*.)

### ***Manufactured housing***

Today, 19 million Americans live in manufactured homes, and the number is growing steadily. The common public perception of manufactured homes—mobile homes with little equity-building potential—is becoming rapidly outdated. Manufactured homes have changed markedly in the past decade, partially as a result of federal U.S. Department of Housing and Urban Development (HUD) regulation. The federal law that governs manufactured housing, the Federal Manufactured Housing Construction and Safety Standards Act, requires that



HUD-code homes be built to a single set of national quality and safety standards, which has resulted in higher-quality, more durable models. A national initiative, I'M HOME, is under-way to support manufactured housing initiatives in local communities. (Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information on I'M HOME, see [www.cfed.org/focus.m?parentid=2&siteid=317&id=317](http://www.cfed.org/focus.m?parentid=2&siteid=317&id=317).)

### **Self-help housing (sweat equity)**

Self-help housing gives aspiring low-income homeowners, who do not have the financial resources to invest in a home, an opportunity to invest “sweat equity,” time and labor, into building a home. Their labor is converted into a downpayment and/or they become eligible for a subsidized mortgage or other forms of assistance. (Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc)) The most well-known example of this is Habitat for Humanity.

## **BUSINESS DEVELOPMENT**

### **Microenterprise programs**

A microenterprise is a small business with five or fewer employees and, typically, capital of no more than \$35,000. Microenterprise programs provide services like training and technical assistance to support low-income microentrepreneurs to develop and sustain their businesses. (Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information on microenterprise programs nationwide, see the Aspen Institute FIELD initiative at [www.fieldus.org/index.html](http://www.fieldus.org/index.html).)

### **Microlending programs**

Microloans are very small loans (\$35,000 or less) to low-wealth entrepreneurs who are not considered bankable. Typically, recipients of microloans lack sufficient collateral, steady employment and/or a verifiable credit history to qualify for loan from a mainstream financial institution. (Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc))

## **ASSET-PRESERVATION STRATEGIES**

### **Access to affordable health insurance**

Health insurance is an important asset-preservation tool, as families without health insurance quickly deplete their hard-earned assets if a family member becomes ill. In states, counties, cities and communities around the country, programs and campaigns are underway to maximize families' access to health insurance coverage.

### ***Alternatives to/regulation of payday lending or check cashing***

Families spend scarce resources on the high fees charged by payday lenders, check cashers and other high-cost or “fringe” financial services. Regulation of these institutions and/or expanded alternative products that are affordable and accessible to unbanked families can reduce costs and enhance financial security for families. *(Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc).)*

### ***Anti-predatory lending campaigns***

Anti-predatory lending campaigns are underway in communities across the country, designed to reduce abusive lending practices. “While there is no legal definition of the term, ‘predatory lending’, it is commonly used to describe deceptive, abusive and/or illegal mortgage lending practices.” According to the Center for Responsible Lending, “Most abusive lending takes place in the subprime market, intended to allow borrowers with weak or blemished credit records the wealth building benefits of owning a home. Instead, a typical predatory mortgage is a refinance of an existing loan that is packed with excessive or unnecessary fees and provides no tangible benefit to the borrower.” *(Source: Asset Support Center/ASC glossary available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information, see [www.responsiblelending.org](http://www.responsiblelending.org).)*

### ***Foreclosure prevention***

Foreclosures, while not always avoidable, can lead to bad outcomes for borrowers, communities, lenders, and investors. Foreclosure prevention strategies include loss mitigation by loan servicers, counseling by nonprofit agencies, low- or no-cost legal assistance by lawyers and/or legal aid agencies, and actions by borrowers. *(For more information, see [www.responsiblelending.org](http://www.responsiblelending.org).)*

### ***Rehab support for low-income homeowners***

Regular maintenance and upkeep of a home is an important way to preserve the value of what is typically a household’s largest asset. Public sector home rehabilitation loans—to low- and moderate-income homeowners—is one strategy used by cities, counties and nonprofits to help low-income homeowners to preserve their home equity.

## **FINANCIAL EDUCATION AND COACHING**

### ***Credit counseling and alternative data for credit scores***

Low- and moderate-income individuals currently served by non-traditional financial and asset-building institutions often have difficulty accessing fairly priced credit. They can build their credit and access conventional financing through counseling and inclusion of utility

payments, rent payments, and other alternative data in credit reports. (See [www.creditbuildersalliance.org](http://www.creditbuildersalliance.org) for more information.)

### **Financial education programs and campaigns**

A growing national dialogue about the lack of financial literacy among Americans has led the drive for an expansion of financial education—in classrooms, the workplace and communities. Financial education campaigns include coordinated efforts to expand the availability of financial education or training programs within a defined geographical area.

### **Financial coaching programs**

Financial coaching has been adopted by some practitioners in the asset-building field for use with low-income clients. Coaching has appeal because it is centered on changing financial behaviors over time based on an ongoing relationship between the coach and the client . . . There are at least three models of nonprofits providing services to clients: volunteer coaches, paid financial planners and trained in-house staff. (Source: “Financial Coaching: A New Approach for Asset-Building,” A report for the Annie E. Casey Foundation by J. Michael Collins, Christi Baker and Rochelle Gorey, September 2007, available at [www.kidscount.org/news/fes/financial\\_coaching\\_nov20.pdf](http://www.kidscount.org/news/fes/financial_coaching_nov20.pdf).)

### **Homebuyer education and counseling**

Pre- and post-homeownership education and counseling programs help low- and moderate-income homebuyers to prepare for and manage the multiple facets of homeownership. They are offered by public, private and nonprofit entities in communities across the country. (For resources on homeownership education and counseling programs, see the NeighborWorks Center for Homeownership Education and Training at [www.nw.org/network/training/homeownership/default.asp](http://www.nw.org/network/training/homeownership/default.asp).)

## **COMPREHENSIVE ASSET-BUILDING INITIATIVES**

### **City asset-building coalitions**

Citywide campaigns to support the financial empowerment of city residents is a strategy underway in several U.S. cities. A new national initiative, Cities for Financial Empowerment (CFE), was recently launched by the Mayors of San Francisco and New York. CFE partner cities currently include Houston, Miami, New York, San Antonio, San Francisco, Savannah and Seattle. (For more information, see [www.cfecoalition.org](http://www.cfecoalition.org).)

### **County asset-building coalitions**

In the past few years, comprehensive, countywide asset-building initiatives have been formed in several counties across the country. These initiatives seek to expand the continuum of asset-building opportunities that are available to low- and moderate-income county residents and to connect residents to a full menu of strategies. County coalitions are typically staffed by a nonprofit or public entity and include a broad range of stakeholders offering a range of services including: access to financial education and services, savings and affordable investment and asset-preservation strategies. *(For more information, see “Asset Support Center Brief: County Asset-Building Coalitions—Promising Practices from Across the Country,” available at [www.assetpolicy.org/asc](http://www.assetpolicy.org/asc).)*

### **Neighborhood asset-building coalitions**

Neighborhood-level, comprehensive asset-building initiatives are emerging in several neighborhoods around the country. These initiatives aim to connect residents to a range of asset-building opportunities; they are typically led by a nonprofit or community foundation; and they often include public, private and nonprofit sector stakeholders. Emerging examples include Market Creek Plaza in southeastern San Diego and the Mission Asset Fund in the Mission District of San Francisco.

### **State asset-building coalitions**

Asset-building coalitions, task forces, and collaboratives serve as successful venues for developing, promoting, and implementing asset-building policies and initiatives in states. Some asset-building coalitions focus efforts on promoting one or two specific asset-building policies or initiatives (such as the Earned Income Tax Credit and IDAs), while others focus efforts on instituting a more comprehensive body of asset-building policies and initiatives at the state level. Still others focus more on training and information sharing regarding a number of asset-building initiatives, with policy efforts placed at a lower priority level. *(See Karen Edwards, (2008), “Asset-Policy Coalitions in the United States,” [www.gwbweb.wustl.edu/csd/Publications/2008/WP08-09.pdf](http://www.gwbweb.wustl.edu/csd/Publications/2008/WP08-09.pdf) or Heather McCulloch, (Fannie Mae Foundation, 2005), “Promoting Economic Security for Working Families: State Asset-Building Initiatives,” [www.knowledgeplex.org/showdoc.html?id=106925](http://www.knowledgeplex.org/showdoc.html?id=106925).)*

## Shared-Ownership Strategies

### HOMEOWNERSHIP

#### **Community Land Trust**

A Community Land Trust (CLT) is a nonprofit organization that lowers the cost of homeownership to individual families by separating the cost of land from the cost of a home. According to the model, a CLT purchases land and manages the development or rehabilitation of housing on the land. The CLT then sells the homes to individual families and keeps them affordable, over time, by limiting their resale value based on a formula that is developed by each CLT . . . The resale price of CLT property is determined by a formula established by the sponsoring CLT and contained in the ground lease. While a CLT's resale formula limits a family's ability to accrue home equity, the strategy provides a way for lower-income families to get into the market, access the benefits of homeownership and accrue some home equity. (Source: "Building Assets While Building Communities," by Heather McCulloch, Walter and Elise Haas Fund, 2005, [www.haassr.org/html/resources\\_links/buildingReport.cfm](http://www.haassr.org/html/resources_links/buildingReport.cfm))

CLTs offer a balanced approach to ownership: the nonprofit trust owns the land and leases it for a nominal fee to individuals who own the buildings on the land. As the home is truly their own, it provides the homeowners with the same permanence and security as a conventional buyer, and they can use the land in the same way as any other homeowner . . . In addition, CLTs are membership-based nonprofit organizations that offer a balanced approach to governance: members include residents of CLT housing, small businesses, neighborhood associations, corporations, and supportive individuals and families. These distinguishing features are designed to allow the CLT to strike a balance between the interest of the community and the needs of individual residents. (Source: *Community Land Trust Network*, [www.cltnetwork.org](http://www.cltnetwork.org))

#### **Deed-restricted housing**

In a deed-restricted home, the rights of ownership are shared between a homeowner and a public sector entity that has subsidized the price of the home to make it affordable to low- or moderate-income households. In return for the subsidy, the public sector entity includes restrictive covenants in the deed of the home which restrict the amount of equity that accrues to individual homeowners, in order to preserve long-term affordability of the home.

The deed-restricted home encompasses a range of types and tenures of housing, including detached houses, attached duplexes, row houses, townhouses, and condominiums. All of this housing is owner-occupied. All of it is continuously affordable: sold and resold for prices that

remain within the financial reach of the targeted class of low- or moderate-income home-buyers. Affordability is achieved through a restrictive covenant appended to a property's deed or, in some cases, to a property's mortgage. These covenants may last forever or may lapse after a specified period of time . . .

Only in the last 30 years . . . have such covenants been widely enlisted in the cause of affordable housing, principally because public funders have made increasing use of affordability covenants to protect and extend whatever affordability their investment has brought. The rise, in particular, of state, county and city housing trust funds that require long-term affordability as a condition of public funding has been a major factor in spurring general and deed-restricted housing in particular. The greatest spur to growth and development of deed-restricted homes, however, has been the expanding use of inclusionary mandates and regulatory incentives to create affordable housing.

(Source: "Shared Equity Homeownership: The Changing Landscape of Resale- Restricted, Owner-Occupied Housing," by John Emmeus Davis, National Housing Institute, 2006, [www.nhi.org/policy/SharedEquity.html](http://www.nhi.org/policy/SharedEquity.html))

### **Housing cooperatives**

A housing cooperative is formed when people join together to own or control the building in which they live. They form a corporation. Each resident-member purchases shares or a membership in the corporation; each membership carries with it the right to occupy a particular unit in the cooperatively owned building. Each resident-member pays a monthly amount to cover operating expenses, taxes and any debt service on a shared mortgage. Monthly fees are comparable to or less than the rent paid in similar rental buildings, as fees are set by member-residents and reflect actual costs of owning and operating the property.

(Source: National Cooperative Bank, [www.ncb.coop](http://www.ncb.coop))

### **Limited or shared equity housing cooperatives**

In a limited equity cooperative . . . Growth in equity is limited through a restriction of resale prices. Generally a formula is used to determine the resale price and the portion that the seller will receive of the increased value of their cooperative interest . . . Unless the cooperative has given them up in exchange for tax-exempt financing or nonprofit corporation status, cooperative owners enjoy all of the income tax benefits of homeownership. In most states, there are additional property tax benefits or savings due to the limitation of resale prices.

(Source: "Home Base, The Playbook for Cooperative Development," NCB Capital Impact, 2007)

### **Resident owned communities (manufactured home communities/mobile home parks)**

A manufactured home community—or "mobile home park"—is generally defined by state jurisdiction as a single parcel of land on which sit two or more manufactured homes. In most

instances, manufactured home communities are owned by investor landlords and the homes are owned by their occupants . . . [In a] Resident Owned Community, resident-ownership refers to community ownership by the homeowners. In most instances, homeowners form a corporation (or, a cooperative) to acquire the community as a whole and operate it for the benefit of the homeowners. Support for this model of ownership exists because it also helps the broader community preserve an affordable community. (Source: ROC USA, [www.rocusa.org](http://www.rocusa.org).)

### **Shared appreciation mortgages**

A shared appreciation mortgage enables a family to invest in a home in partnership with other investors (public or private) who share in the equity appreciation of the home when it is sold. The HomeBuy Program in the U.K. is one example. HomeBuy allows residents to purchase a share in a home through a variety of schemes ([www.housingcorp.gov.uk/server/show/nav](http://www.housingcorp.gov.uk/server/show/nav)). In recent years, a national pilot, led by Brophy and Reilly LLC, Freddie Mac, NeighborWorks, Enterprise, Living Cities and the Annie E. Casey Foundation, was being advanced in the United States. In addition, many cities have offered down payment assistance or second mortgage products that provide low-interest or deferred payments in exchange for a share of the equity appreciation when the home is sold.

## **BUSINESS OWNERSHIP**

### **Employee Stock Ownership Plan**

An employee stock ownership plan (ESOP) is a type of defined contribution benefit plan in the U.S. that buys and holds company stock. ESOPs are often used in closely held companies to buy part or all of the shares of existing owners, but they also are used in public companies. (Source: *National Center for Employee Ownership*, [www.nceo.org/esops/index.html](http://www.nceo.org/esops/index.html)). ESOPs are a promising strategy for converting closely held companies into worker-owned firms (in whole or in part) because of the associated tax benefits—the seller can defer taxes on the capital gain of the sale if the ESOP holds at least 35 percent of company stock. (Source: *Asset Support Center/glossary*—[www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information, see [www.nceo.org](http://www.nceo.org).)

### **Employee wealth-sharing/profit-sharing plans**

Some private sector employers have begun to institute employee wealth-sharing programs that are accessible to low-wage workers. For example: In 2002, a community development venture capital fund, Pacific Community Ventures, included an employee wealth-sharing program as a condition of its investment in a San Francisco-based manufacturer of bicycle messenger bags, Timbuk2. The program was created through a set-aside of company equity for non-management employees. In October 2005, Timbuk2 was sold to a private equity group. The sale of the company resulted in a significant financial return for Timbuk2's previous investors

as well as a cash payout of more than \$1 million to Timbuk2 employees through the wealth-sharing program. The proceeds of the wealth-sharing payout were divided among 40 non-managerial employees—primarily seamstresses and warehouse workers who live in many of the Bay Area’s low-income communities—as a one-time bonus. (Source: *Asset Support Center/glossary*—[www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information, see [www.pacificcommunityventures.org](http://www.pacificcommunityventures.org).)

### **Rural Cooperatives**

Agricultural cooperatives play a vital role in our nation’s food distribution system. They increase the marketing capability and production efficiency of agricultural producers, and bring consumers an abundant supply of high-quality food products under nationally recognized brand names. Through cooperatives, farmers have provided themselves with the credit, supplies and services—and most importantly—the democratic ownership and control vital to the success of agricultural production in the United States. (Source: *National Cooperative Business Association*, [www.ncba.org](http://www.ncba.org))

The Federation of Southern Cooperatives focuses specifically on the needs of small, Black-owned family farms in the South: “Cooperatives are businesses that are locally controlled and build wealth through the participation of people. Coops are an ideal means of helping poor people to advance their own interests and provide for their own destinies. In 1984 the Emergency Land Fund, the pioneer organization in Black land retention, merged with the Federation which led to a much stronger and more comprehensive Federation program that retains, acquires, manages, and develops land and other resources using cooperative principles . . . extended membership includes 12,000 Black farm families, who individually own small acreage, but collectively own over half a million acres of land and work through 35 agricultural cooperatives to purchase supplies, provide technical assistance, and market their crops.” (Source: *Federation of Southern Cooperatives*, [www.federationsoutherncoop.com/overview.htm](http://www.federationsoutherncoop.com/overview.htm))

### **Worker-owned cooperatives**

A worker-owned coop is a company that is 100 percent owned by its workers. According to the ICA Group, a national technical assistance provider to cooperatives: “Workers hold the basic ‘ownership’ or membership rights which consist of: (1) the voting rights to elect the board of directors which in turn appoints the management or staff, and (2) the rights to the ‘profits’ or net income of the company. Each member has an equal vote in accordance with the democratic principle of one-person/one-vote. And the net income, which could be positive or negative, is shared among the members according to some agreed upon formula such as equally per dollar pay or equally per hour worked.” (Source: *Asset Support Center/glossary*—[www.assetpolicy.org/asc](http://www.assetpolicy.org/asc). For more information, see [www.ica-group.org](http://www.ica-group.org).)



## COMMERCIAL REAL ESTATE

### **Community development IPO**

To date, commercial real estate development has not been widely perceived as an area of asset-building opportunity for low-income community members. Instead, public subsidies and other incentives for large-scale commercial and mixed-use real estate projects typically go to well-capitalized developers based outside of the community so that the majority of the profits leave the community. A promising exception is Market Creek Plaza, a cultural and commercial center in southeastern San Diego that is maximizing ownership opportunities for residents of the surrounding communities. Community residents now have the opportunity to gain an equity stake in the development through a new model, a community development initial public offering (CD/IPO), which is inspiring similar efforts in other communities around the country. (Source: *Asset Support Center/glossary*—[www.assetpolicy.org/asc](http://www.assetpolicy.org/asc))

## NATURAL RESOURCES

### **Shared returns from natural resources**

Natural resources are a source of enormous wealth that rarely benefits those residents of the areas from which they are extracted . . . The concept of connecting the development and stewardship of natural resources to resident benefits is not new, but it has not yet been widely applied. The domestic model most often cited is that of the Alaska Permanent Fund, which enables residents to receive dividends from the state's oil revenues. (Source: "Sharing the Wealth: Resident Ownership Mechanisms," by Heather McCulloch, PolicyLink 2001 ([www.policylink.org/pdfs/ROMs.pdf](http://www.policylink.org/pdfs/ROMs.pdf)))

## FINANCIAL INSTITUTIONS

### **Community Development Credit Unions**

Credit unions are financial institutions that are cooperatively owned and controlled by their members. According to the National Federation of Community Development Credit Unions (NFCDCU), "a community development credit union (CDCU) is a credit union with a specialized mission of serving low- and moderate-income people and communities." CDCUs play a critical role in providing access to credit and financial services in low-income neighborhoods across the country. (For more information, see [www.natfed.org](http://www.natfed.org).)

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# ENDNOTES

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1. The asset-building field typically includes education as an investment opportunity; it is not included in this paper as it is not an appreciating asset.
2. For an important discussion of how these and other strategies anchor capital in communities and produce broader community benefits, see [www.community-wealth.org](http://www.community-wealth.org).
3. Schreiner, M., Clancy, M., & Sherraden, M. (2002). *Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts (research report)*. (St. Louis: Washington University, Center for Social Development). Accessed 5/14/08 from <http://gwweb.wustl.edu/csd/Publications/2002/ADDreport2002.pdf>.
4. L. Woo and D. Buchholz. (2007). *Return on Investment? Getting More from Federal Asset-Building Programs*, pp.3-4. Retrieved 4/8/08 from [www.cfed.org/imageManager/\\_documents/publications/hips2/return\\_on\\_investment.pdf](http://www.cfed.org/imageManager/_documents/publications/hips2/return_on_investment.pdf).
5. CFED. (2007). 2007-2008 *Assets and Opportunity Scorecard*. Retrieved 4/9/08 from [www.cfed.org/focus.m?parentid=31&siteid=2471&id=2549](http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2549). Asset poverty is a very conservative measure since it is based on the inadequate federal poverty standard and it is based on three months without income.
6. Guide to 2007-2008 *Assets and Opportunity Scorecard*. (2007). (Washington, DC: CFED), p.4.
7. Haveman, Jon. (2007). Data prepared for the 2007-2008 *Assets and Opportunity Scorecard*.
8. Guide to 2007-2008 *Assets and Opportunity Scorecard*, p.4.
9. The fields of microenterprise development and microfinance have had a significant impact on supporting individuals to build business equity. See the Aspen Institute, FIELD program for more information <http://fieldus.org/Projects/index.html>. An exceptional example of enabling low-income residents to invest in commercial real estate is underway in San Diego, California: Market Creek Plaza. For more information, see [www.marketcreek.com](http://www.marketcreek.com).
10. Gerald W. Sazama. (2000, October). "Lessons from the History of Affordable Housing Cooperatives in the United States: A Case Study in American Affordable Housing Policy." *American Journal of Economics and Sociology*.
11. The model was first developed in southern Georgia in the 1960s by Slater King, a cousin of Martin Luther King, and other civil rights activists. It was further developed and refined, over the years, with leadership from the Institute for Community Economics. Source: Davis, John Emmeus. (2006). *Shared Equity Homeownership*, pp20-21. Accessed 2/15/08 from [www.nhi.org/pdf/SharedEquityHome.pdf](http://www.nhi.org/pdf/SharedEquityHome.pdf).
12. National Community Land Trust Network: [www.cltnetwork.org](http://www.cltnetwork.org).
13. The Democracy Collaborative. (2005, April). "Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems." The Aspen Institute.
14. U.S. Federation of Worker Cooperatives: [www.usworker.coop/aboutworkercoops](http://www.usworker.coop/aboutworkercoops).
15. "An employee stock ownership plan (ESOP) is a type of defined contribution benefit plan in the U.S. that buys and holds company stock. ESOPs are often used in closely held companies to buy part or all of the shares of existing owners, but they also are used in public companies." Source: National Center for Employee Ownership, [www.nceo.org/esops/index.html](http://www.nceo.org/esops/index.html).
16. National Center for Employee Ownership at [www.nceo.org/library/eo\\_stat.html](http://www.nceo.org/library/eo_stat.html). Note: only a subset of ESOP owners are low-income workers; but several promising examples—such as Hot Dog on a Stick and other fast-food companies—point to the relevance of the ESOP model to low-income/low-skilled workers. For more information, see [www.nceo.org](http://www.nceo.org).

17. For more information on each of these strategies, see Heather McCulloch. (2006, February). *Building Assets While Building Communities: Expanding Savings and Investment Opportunities for Low-Income Bay Area Residents*. (San Francisco: Walter and Elise Haas Fund). [www.haassr.org/html/resources\\_links/buildingReport.cfm](http://www.haassr.org/html/resources_links/buildingReport.cfm).
18. For more information on the IPO, see Anne Stuhldreher. (2007, Winter). "The People's IPO: Lower Income Patrons of Market Creek Plaza Can Now Invest in Shopping Center." *Stanford Social Innovation Review*. Available at [www.ssireview.org/images/articles/2007WI\\_whatworks\\_peoplesIPO.pdf](http://www.ssireview.org/images/articles/2007WI_whatworks_peoplesIPO.pdf).
19. It should be noted that Market Creek Plaza offers opportunities for individual, shared and community ownership: individual residents have been supported to open community-serving businesses on the site; residents participate in shared ownership through the CD/IPO, and the Neighborhood Unity Fund (NUF), a community-managed nonprofit that is an investor/owner of the project, represents a form of community ownership. NUF is controlled by residents with revenues used to support community-serving projects.
20. For more information on the Alaska Permanent Fund, visit its website: [www.apfc.org](http://www.apfc.org).
21. Retrieved 5/15/08 from [www.apfc.org/alaska/dividendPrgrm.cfm](http://www.apfc.org/alaska/dividendPrgrm.cfm)
22. Barnes, Peter. (2006). *Capitalism 3.0: A Guide to reclaiming the commons*. (San Francisco: Berrett-Koehler Publishers, Inc.).
23. For example, see Geri Smith, "Nice Work, If You're From Ecuador," *Business Week*, November 14, 2005.
24. Davis, p. 104.
25. Alperovitz, Gar, Steve Dubb, and Ted Howard. (2007, Spring). "Asset-Building Comes of Age" in *Shelterforce*, Issue #149. See [www.nhi.org/online/issues/149/assetbuilding.html](http://www.nhi.org/online/issues/149/assetbuilding.html).
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27. For example, while there was some discussion of shared-ownership strategies at the 2006 Assets Learning Conference, most of the focus was on individual access, savings and investment strategies. There is some coverage of strategies on the New America Foundation's asset-building website, [www.asset-building.org](http://www.asset-building.org). For the most part, attention has been focused on strategies that provide access to individual ownership through financial services, education and investment opportunities.
28. In some cases, tensions have emerged in recent years between affordability and asset-building outcomes. For example, several interviewees reported that these tensions have been part of the discourse within both the community land trust and limited equity cooperative movement for years.
29. The Assets for Independence Act (AFIA), the principal source of federal funding for IDAs, has been funded at \$25 million per year. In comparison, the federal deduction for mortgage interest, an important tax benefit for homeowners, has been estimated at \$73 billion. [Woo and Buchholz, p.6 and p.5.]
30. In December 2007, NeighborWorks America, National Cooperative Bank and others hosted a national meeting to explore shared equity housing, with support from the Ford Foundation. The meeting included practitioners, advocates, public agency staff, foundations, financial institutions and other representatives from across the country.
31. This need was highlighted by leaders of CLT, ESOP, worker ownership, rural coop, manufactured housing and other strategies.
32. Interview with Paul Hazen, National Cooperative Business Association, March 15, 2008.

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